

ECONOMICS 567
Microeconomics for Business
University of Illinois - University of Warsaw
Department of Economics
March 2009
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This course deals with microeconomic theory and its use in the analysis of economic policy issues. The course will build a solid understanding of the operation of markets. Our goal will be to develop a set of tools and a methodology that will allow reasoned and consistent analysis of markets, firms, and policy options. In order to reach this level of understanding, we will focus on how markets arrive at equilibrium outcomes. This requires study of optimal behavior by both consumers and producers, as well as the characteristics of the marketplaces in which they interact. We will also develop techniques to evaluate the performance of markets and alternative resource allocation mechanisms. These tools will then be applied to a number of important policy issues dealing the role of government in the economy.

REFERENCE MATERIAL: The required text is *Economics* by Begg, Fischer and Dornbusch. Currently, the English version is in the 9th edition. The textbook should be considered background reading for the analysis that will be presented in the lectures. Lectures will focus on only a selected number of the topics covered in the textbook. Some of the material in the lectures may use analysis not presented explicitly in the textbook.

GRADING: There will be two exams, a midterm and a final. The midterm will be in-class when we return after the break (Thursday, March 22) and will count for 40 percent of the grade. The final exam will be comprehensive and count for 60 percent of the course grade. The final will be held at a date after the completion of the lectures. This date will be announced later. The test questions will concentrate on the material and topics discussed in class.

In addition to these written assignments, in-class participation is strongly encouraged. While I will not assign any direct grade points to such discussion, it has been my experience that performance on the written assignments improves (sometimes dramatically) with your involvement in classroom discussions.

ACADEMIC INTEGRITY: Consistent with University policy, cheating will be considered a serious offense. This is an *individual effort* course. You are invited to work as teams in understanding the material as well as the problem sets. But, you must *do your own work* on the exams.

COURSE OUTLINE: The following outline represents the order of topics to be covered. We will not cover all these topics in the same depth. There is just not enough time. The coverage for the exams will be announced during the lectures.

I. INTRODUCTION

1. What is economics?
Chapter 1
2. Tools and Techniques
Chapter 2
3. Supply and Demand
Chapter 3
Economic efficiency and economic surplus
(http://en.wikipedia.org/wiki/Consumer_surplus)
4. Elasticity of Demand and Supply
Chapter 4

II. CONSUMER THEORY

1. A Formal Theory of Consumer Choice
Chapter 5

III. THEORY OF THE FIRM

1. Basics of the firm
Chapter 6
2. Cost Theory
Chapter 7

IV. MARKETS AND EQUILIBRIUM

1. Perfect Competition
Chapter 8
2. Monopoly
Chapter 8
3. Imperfect Competition: Oligopoly and Game Theory
Chapter 9.

V. WELFARE ECONOMICS and APPLIED AREAS

1. Welfare Economics
Chapter 15.
2. Public Finance-Economics of Government
Chapter 16.
3. Industrial Organization
Chapters 17-18.

VI. FACTOR MARKETS

1. Labour Markets
Chapter 10-11
2. Factor Markets and Income Distribution
Chapter 12

VII. RISK and INFORMATION

1. Risk

Chapter 13

2. Information Economics

Chapter 14

ECONOMICS 567—Schedule for March 2009		
Date	Session	Topics
Wednesday, March 18	Afternoon	Chapters 1-3: Introduction, tool, & supply and demand
Thursday, March 19	Morning	Chapters 4-5: Elasticity and consumer choice
Thursday, March 19	Afternoon	Chapters 6-7: The firm
Friday, March 20	Morning	Chapter 8: Competition and monopoly
Friday, March 20	Afternoon	Review chapter 8 and chapter 9: Imperfect competition
Saturday, March 21	Morning	Chapter 15: Welfare economics (Special topic: The current economic crisis. Chapter 32)
Wednesday, March 25	Morning	Chapters 16-18: Public finance and industrial organization
Thursday, March 26	Morning	Chapters 10-12: Factor markets; Examination (chapters 1-8)
Friday, March 27	Morning	Chapters 13-14: Risk and information; REVIEW
April		Final examination (date and time to be determined)

Morning session: 8:30 -12:00

Afternoon session: 13:00-16:30

Economics 567: Microeconomics for Business Microeconomics for professional business students. Shows relevance of value and distribution theories for business managers. Includes demand and supply theory, consumer choice, production and cost theory, industrial structure, and wage and capital theory. Intended for students in the Master of Business Administration program. Students may not receive credit for both ECON 567 and ECON 302 or ECON 500. Prerequisite: Enrollment is often restricted to students in specialized programs.